



**INTERNATIONAL CONFERENCE  
ON BUSINESS & ECONOMICS  
(ICBE)**

**CONFERENCE PROGRAM**

# **VIEWING THE POWER BY THE DILEMMA OF HETERODOX-ORTHODOX ECONOMICS**

Artvin Coruh University Hopa Economics and Administrative Sciences  
Faculty/Assist. Prof. Dr.

Title Ilkben Akansel

[iakansel@artvin.edu.tr](mailto:iakansel@artvin.edu.tr)

[iakansel@yahoo.com](mailto:iakansel@yahoo.com)

## **Abstract**

Orthodox economics, which is meant as domination in education of economics, in politics, and in economical institution of neo-classical economics, targets power at the same time. If an idea is surrounded by its very own acknowledgement in every field of social life, it can be explained by ‘power’ statement. However, critical approaches have great influence to debate the power of orthodox economics in economical field. Because the conflict point of these two approaches start whether both are accepted to be criticised or not. The origin of this criticism is surrounded by the main reference point of political economics.

The conflict reasons; consequences of orthodox-heterodox economics cannot be explained by attributing substructure of critical economics. Firstly, Michel Foucault’s ‘power’ statement should determine the route, secondly, Louis Althusser’s ‘ideology’, thirdly, Antonio Gramsci’s ‘hegemony’ concepts should determine the essence of criticise.

Consequently, if economical description is changed by another view, crisis may be resolved as well.

**Key words:** *Orthodox economics, Heterodox economics, ideology, hegemony, power.*

**JEL Classification:** B-10, B-14

## **1. INTRODUCTION**

### **1.1 What is the dilemma of heterodox economics-orthodox economics?**

Rising economics crisis is getting to affect our lives much more. Besides, last crisis longer last and deeper than last ones. Even the best followers of current system admit that this system will not sustain any longer. So, we should change our minds looking economics. Altering what we know about economics needs to change the describing of economics.

First of all we should describe the orthodox economics and the heterodox economics. Because, understanding the power on economics exceeds the difference of these.

“Orthodox Economics: It is the name of giving neo-classical economics apprehension, because of it has a hegemonic way which is expected whole economics education, institutions and politics and all other thoughts. Neo-classical economics has a widespread superiority. Since 1970’s Keynesian economics didn’t produce to solutions to solve the problems of economics in praxis and as a result of this in theory it have been argued. Neo-classical theory has been gained a superiority.” (Emiroğlu, 2006: 661, 662).

“Heterodox Economics: Economists who think determining economics only orthodox economics claim that this political approach has a disadvantageous and has political opinion have been come together underneath an opinion called ‘heterodox economics’.” We can call the heterodox economics like these sections: Austrian Economics, Behaviorist Economics, Black Politics Economics, Ecological Economics, Evolutionist Economics, Feminist Economics, Historian Economics, Georgics Economics, Institutional Economics, Marxist Economics, Post-Keynesian Economics, Post-modern Economics, Post-colonyal Economics, Rhetoric Economics, Social Economics, Staffa Economics (Emiroğlu, 2006: 346).

“Mainstream economics here serves to denote the powerful common disciplinary element that has been criticized variously in recent years for its methods and conceptualization of ‘economic’ phenomena. The critiques have come from methodologists and from diverse heterodox theoretical approaches such as feminist, Marxist, post-Keynesian, ecological, Austrian and so on.” (Kaul, 2002: 709).

Namely, except neo-classical economics almost every economics thoughts can be involved by the heterodox economics. Why orthodox economics, in other words neo-classical economics, is dominant can be understood by ‘power’ conception.

This study aims to understand why orthodox economics is dominant by the mediation of 'power' conception. On the contrary, why heterodox economics cannot be dominant on economics, but submit better approaches for economics crisis can be understood by 'power' concept too. Also, we will not restrict ourselves with 'power' concept, we also try to understand why orthodox economics is submitted like abandoned by the system can be understood by Louis Althusser's 'ideology' and Antonio Gramsci's 'hegemony.'

Thus, if one can understand the dilemma of orthodox and heterodox economics by the mediation of power in order to solve the crisis. We do not only these concepts, but also we will argue the institutional economics one of which has a great power in order to explain the lacking of orthodox economics.

## **2. THE HETERODOX ECONOMICS AND ITS SEPERATION**

### **2.1 Why heterodox economics is not dominant?**

As it can be at the above, there is no one definition about heterodox economics. Heterodox economics separates different sort of economics thoughts like Austrian economics, Institutional economics etc. The reason of rising of heterodox economics is all these economics thoughts can see the worst ways of orthodox economics. And the separation of heterodox economics is, they all submit different aspect of solutions to solve the lacking of heterodox economics.

“ [...] an a posteriori recognition that it is usually impossible to generate very large agreement within any given heterodox tradition on specific 'alternative' theories and policies or specific methodological stances, a recognition typically resulting in an (often begrudging) inference that, even within any one tradition, the only definite common ground in terms of achieved position, is an opposition to the mainstream or 'neoclassical' orthodoxy.” (Lawson, 2006: 484).

It does not mean that different objections differs in core mind of orthodox economics. For example, every heterodox economics thoughts are against to rational behavior of individual of orthodox economics.

“An obvious alternative hypothesis to examine in the light of the discussion so far, perhaps, is that, if there is anything essential to the mainstream tradition of modern economics, it is merely a commitment to individualism, coupled with the axiom that individuals are everywhere rational (optimising) in their behaviour. Perhaps the mainstream is just so committed, but without any

overall common purpose in terms of the sorts of substantive results that 'should' be generated?" (Lawson, 2006: 488).

So what should we describe heterodox economics in general? "In other words, heterodox economics, in the first instance, is a rejection of a very specific form of methodological reductionism. It is a rejection of the view that formalistic methods are everywhere and always appropriate." (Lawson, 2006: 492).

## **2.2 What orthodox economics claims and its hegemony?**

In the first place, we expose that orthodox economics is now valid and sovereign economics thought in all over the world. In our opinion, its opinion, its dominance can be understood by hegemony concept.

According to Gramsci's hegemony, "a society does not only be administrated by force but also be administrated by convincement. Thus, a society learns how their administrators look the circumstances and they will look the circumstances from their administrators. The advantage of a group will obviously see by 'domination' and 'intellectual leadership.' Hereby, dominant group can control the against-group which is probably a volunteer for destroy themselves." (Gramsci, 1971; Arrighi, 2000: 54, 55).

The way what orthodox economics have done for a long time is make all economics actors believe that orthodox economics is unique. However, it does not true. At this point, if we want to understand in which points heterodox economics is against to orthodox economics, we will better understand dominant way of orthodox economics.

"But the mainstream understanding of the nature and role of methodology is in a state of transition. Further, mainstream economics has evolved virtually independently of explicit methodological analysis. [...] In fact, since one of the main developments in mainstream methodology has been to advocate an integration of methodological study with theoretical study, there should now be a greater openness to the non-orthodox literature which has always been integrated in this way." (Dow, 1997: 73, 74).

So, we can describe the methodology of orthodox economics as deduction. "Deductivism, like any other method, presupposes an ontology, in the sense that the nature of reality must be supposed to be such that it can be investigated using the deductivist method. Although mainstream economics rarely develops ontological arguments, its implicit ontology consists of atomistic, empirical

events. More precisely, reality is supposed to be constituted by two domains, the 'actual' and the 'empirical'." (Palermo, 2007: 541).

The most opposition to orthodox economics is its 'imperialist' way. "Optimisation and equilibrium are the core explanatory concepts of modern neoclassical economics. Individual decision-makers are assumed to be instrumentally rational in achieving their objectives, and a simultaneous consistency in the plans of all individuals defines what is meant by equilibrium. The beneficial properties of such coordinators are frequently stressed by neoclassical theorists, but this is not a necessary characteristic of orthodox economics, which recognises that systemic outcomes of agents' optimisations, even equilibrium, can be seriously sub-optimal because of prisoner dilemma that inhibit cooperation. These problems have been analysed along with invisible-hand characteristics (Mas-Colell *et. al.*, 1995; Kreps , 1990; Stiglitz, 1994; Howard&King, 2001: 787).

That's why one should understand that economics and politics gathered interwine together. They supports to each other. The reason of it, these two formations gain their power with their own power.

"The subject of power has been investigated mainly within sociology and political science. The individualist approach has its roots in Weber, who defined power as 'the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance'" (Weber, 1968: 53; Palermo, 2007: 542).

So, 'power' concept is the first one in order to understand dominant way of orthodox economics. And of course, when saying power the first philosopher should be understand is Michel Foucault and power.

"Foucault argues that available power forms have been transformed using historical materials in last couple centuries. During 18.th. Century, power was used by absolute monarchy. This is known as 'sovereign power.'" Foucault claims that this type of power has some restrictive features like using physical violence, has a ritual and symbolism and disciplinary. [...] "According to Foucault's thought, a disciplinary power replaces sovereign power in modern era. And in Foucault's thought disciplinary power has some characteristics like arrangement, control and supervision technologies are integrated with each other, the thoughts and behaviors are changed by the techniques on working body, its aims to tend to be much more rational than ritual, engages with jams, schools and military." Foucault's power concerns relates with 'how?' as much

as ‘why?’. [...] “Foucault argues about technologies. Most of these technologies are worked by controlling and disciplining the body on reinstatement and normalizing the ego. The aim of this process in order to create a ‘*meek body*’ which is indulged by the authority and the society control.” (Smith, 2005: 172, 173).

“The human body has emerged recently as a central and favoured object in many different fields of discourse and practice. The human body suffers; the human body seeks pleasure; the human body is subjected to a variety of disciplinary regimes. [...] The problem of the ‘disappearance’ of bodies, of course, one that both motivated and enlivened the work of Michel Foucault in his wide-ranging discussions of the ways in which modernity produced for itself a complexly ‘problematic’ body, enmeshed in net-works of power. We may think of fears that the body has disappeared from economics as an example of the fetishism of the body that, for Foucault and others, [...]” (Amariglio&Ruccio; 2002: 81, 83).

The connection between the body and the economics is imperialist way of orthodox economics. Because, orthodox economics sees the individuals as ‘bodies’ which are seen to exploit by both demand and supply. At demand-side, they can be seen as consumers, at supply-side they can be seen as employees.

Orthodox economics keep power by the mediation of ideology. Although, there is no one description on what the ideology is, but shortly we can say: “Ideology is in general concerned with people’s beliefs. [...] ideology was ‘false consciousness’. However, this raised more problems than it solved, since it implied a state of ‘true’ consciousness, yet said nothing about how such a state was to be attained. Politically, it left the way open for those who claimed privileged access to ‘knowledge’ to form ‘vanguard’ political parties in the pursuit of state power. Such approaches have hardly been crowned with success.” (Mohun, 2003: 401, 402).

Orthodox economics submits itself to all economics actors as if it wouldn’t be irrevocable one, because of the ideology’s ‘false consciousness.’

“Existing of ideologies needs to be produced themselves again, therefore dominant group needs the institutions carrying dominant ideology to the material life, because ideology exists in these institutions and praxis of these institutions, in other words ideology exists in these tools and in their praxis.” (Althusser, 2005: 121; Batuş, 2006: 91, 95).

According to Althusser's theory practice of society and ideology are nested within each other. a) "If one can remember that ideology dispatches the thoughts which are related about irregular facts on the contrary, the real thoughts related about real facts." b) Ideology has not a history. Ideology is a war of classes. c) "Ideology calls individuals as a subject and named them as a subject. [...] Ideology is the way to be turned individuals back as a subject by the mediation of naming. [...] In this ways, individuals play the roles which would be expected by them in the borders of being a subject." (Kazancı, 2006: 10). Since, orthodox economics sees the individuals as subjects to exploits in order to gain profits in terms of ideology.

### **2.3 Institutional Economics As A Heterodox View For Orthodox Economics**

If orthodox economics affects our lives by the mediation of its ideology causing by its hegemony way, the thoughts which are known as real facts, in fact they aren't, may change in economics literature. Changing what we know about can alter with institutional economics one of which is a heterodox economics.

Why heterodox economics opposes stationary economics is its the structure of imperialist. The reason of this situated economics, in other words orthodox economics, claims that it can be explain not only the economics circumstances but also clarify everything and bothering the neighbor social disciplines as an expansionism which adds up imperialism (Stigler, 1984; Hirshleifer, 1985; Lazear, 2000; Maki, 2002; Özveren, 2007: 16).

We claim that differing from stationary economics the institutional economics one of which can be accepted by heterodox economics set emphasis out, actually the process in the traditional economics has an institutional way whereas it rejects this situation.

In some studies referring 'the role of the institutions in economics', but this situation symbolize an against posture to institutional economics its own. Some econometrics studies assumes that a 'pure economics' which has not institutions in it. And also they claim that changing effects of these kind institutions can be calculated as deviation. These kinds of approaches reduce the economics not only reducing the economics only the market, it will date the market a time period before institution as well. "Dividing the institutional economics all of them it sees the starting point of institutionalism. The institutions and the economics cannot be thought and examined as separate.



Economics covers much more place than market and only if exists as an institutional process. If the market is not neutral and if economics covers much more than market, wanted or unwanted the description of the economics, as a science, will be widen and changed. Economics will withdraw from a 'science' which is wannabe economics one of which is desired by the economists of stationary ones, it will get close with political economics.” What one should understand saying ‘the stationary economics’ is the mainstream economics which lay down in the nineteenth century from Adam Smith to David Ricardo, from David Ricardo to John Stuart Mill, from him to Alfred Marshall where started in Britian. [...]” (Özveren, 2007: 17, 21).

From the point of view of institutionalist is seen the institutions usually by the rules and the restrictions created by human and affecting their interactions. “Institutions make the daily life as an institute and guide the individual interact.” (North, 2002: 10; Şenalp, 2007: 47). Institutions are some kind of ‘the rules of the game’ which help in order to create the expectations for people what others can do or how they will decide (Şenalp, 2007: 47).

If we can understand the difference between the institutional economics and the stationary economics, we will look the differences of the topics what they are interested in. “On the one hand the stationary economics builds its theorem which is very abstract, on the other hand institutionalist are tend to investigate much more concrete real.” Also, they submitted a serious of suggestions which are used by instead of the stationary economics suggestions.

- “The economics subjects and the institutions have an interact relationship is an evolutionary process, the solutions of economics should have an evolutionary process, the solutions of economics should have an evolutionary approach.
- The main emphasize handling the economics process are made by the role which plays on the concrete circumstances imposed by financial institutions of modern technology and mixed-market capitalism.
- There is no methodological way which is compatible with society consensus. On the contrary, it is stressed by the conflicts/the paradox on society and economics life.
- It is argued that directing to need in terms of the paradox which exist in economics relations on institutional arrangement in society governance codes.” (Şenalp, 2007: 50, 51).

### 3. CONCLUSION

Since, 1970's neo-classical economics, in other words orthodox economics, have a great dominance in economics, political, social life etc. Because, by the mediation of its hegemonic way, it persuades every actors in economics life that it can be find out every issues. However, it doesn't true. Why orthodox economics feel itself to explain every economics fields can be find in ideology. Generally, it is said that ideology is 'false consciousness.' So, individuals are assumed by rational decision-makers, optimization and equilibrium are the core explanatory tools the market, its methodology deductive is submitted by the best way in order to understand equilibrium of the market etc. All these circumstances, in fact, are false consciousness, because of ideology of orthodox economics by the mediation of 'power.' The best way to understand power arguing of Foucault's power opinion.

In modern life, control and supervision technologies are integrated to discipline the body. Controlling body means controlling individuals to make much more profits. This is its imperialist aspect. Thus, some economics thoughts speaks its voice up against to orthodox economics is called by heterodox economics. In this study, we try to handle institutional economics one of which is a heterodox economics.

Its main argument objects to orthodox economics it closes its eyes to institutions. Institutions are in everywhere and they are affected by all daily lives. Closing its ears what economics actors, which are one of the institutions of it, says and focused itself only market, ignored every other economics fields are the most shortages of orthodox economics. Shortly, orthodox economics is the economics which now affects our life, however with last crisis, it couldn't help to solve the declines. Except orthodox view, all other economics thoughts are called by heterodox economics and institutional economics is one of them and also, according to our opinion, it is the most powerful explanatory its deficits.

Consequently, economics have two choices in order to solve its crisis. The first one is, neo-classical economics will change its point of view to solve the economics problems. The second one is, neo-classical economics will desert and heterodox economics will put into effect much more.

### BIBLIOGRAPHY

Amariglio, Jack, David F. Ruccio (2002), "Modern economics: the case of the disappearing body?", *Cambridge Journal of Economics*, Vol. 26, pp. 81-103.

Arrighi, Giovanni (2000), Uzun Yirminci Yüzyıl, Para, Güç ve Çağımızın Kökenleri [The Long Twentieth Century: Money, Power and the Origin of Our Times], Ankara: İmge Kitabevi.

Batuş, Gülay (2006), Kadife Karanlık 2 [The Black Velvet 2], İstanbul: Su Yayınevi.

Dow, Shelia C. (1997), “Mainstream economic methodology”, *Cambridge Journal of Economics*, Vol. 21, pp. 73-93.

Emiroğlu, Kudret (2006), Ekonomi Sözlüğü [The Dictionary of Economics], Ankara: Bilim ve Sanat Yayınları.

Howard, M.C., J.E. King (2001), “Where Marx was right: towards a more secure foundation for heterodox economics”, *Cambridge Journal of Economics*, Vol. 25, pp. 785-807.

Kaul, Nitasha (2002), “A critical ‘post’ to critical realism”, *Cambridge Journal of Economics*, Vol. 26, pp. 709-726.

Kazancı, Metin (2006), “Althusser, İdeoloji ve İdeoloji İle İlgili Son Söz”, [Althusser, Ideology and the Last Word About It]. *İstanbul Üniversitesi İletişim Fakültesi Dergisi*, Vol. 10, pp. 1-20.

Lawson, Tony (2006), “The nature of heterodox economics”, *Cambridge Journal of Economics*, Vol. 30, 483-505.

Mohun, Simon (2003), “Ideology, markets and money”, *Cambridge Journal of Economics*, Vol. 27, pp. 401-418.

Özveren, Eyüp (2007), “Kurumsal İktisat: Aralanan Karakutu” [Institutional Economics: Leaving Black Box], (in: Eyüp Özveren-Ed., *Kurumsal İktisat* [The Institutional Economics], Ankara: İmge Kitabevi Yayınları, pp. 15-43.

Palermo, Giulio (2007), “The ontology of economic power in capitalism: mainstream economics and Marx”, *Cambridge Journal of Economics*, Vol. 31, pp. 539-561.

Şenalp, Mehmet Gürsan (2007), “Dünden Bugüne Kurumsal İktisat” [Institutional Economics Till Yesterday to Today], (in: Eyüp Özveren-Ed., *Kurumsal İktisat* [The Institutional Economics], Ankara: İmge Kitabevi Yayınları, pp. 45-92.

Smith, Philip (2005), Kültürel Kuram [The Cultural Theorem], İstanbul: Babil Yayınları.